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SAVANNA
RESOURCES LTD.

1982
ANNUAL REPORT

TO THE SHAREHOLDERS:

The accompanying financial statements reflect a year of unprecedented difficulties faced by your management.

Despite the spectacular mineral exploration success of our former affiliate Baretta Mining, Inc., the market downturn effectively shut off our access to equity financing, resulting in critical financial problems.

To meet short term liabilities, the Company sold its main producing properties early in 1982. In May 1982, shareholders owning 80% of the outstanding shares accepted a share exchange offer from American Chromium Limited. Subsequently, the Company sold its remaining mineral interest in the Northwest Territories to American Chromium Limited.

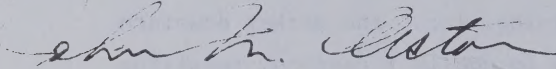
Since the year end, the Company's holding in shares of American Chromium was sold and the proceeds were applied to current liabilities. The company retains its interests in the Canadian Arctic and producing royalties in Alberta.

In the Arctic, the four former permits south of the Cisco oil discovery in which the Company held a 3.75% interest, have been included in Exploration Agreement No. 9 negotiated with the Canada Oil and Gas Lands Administration, on behalf of the interest holders by Panarctic Oils Limited as operator.

Management has arranged for a change in control of the Company, which will enhance its Canadian Ownership Rating to over 80%. It is hoped that re-activation of its oil and gas exploration program can be effected through a combination or merger with other active companies.

The shareholders will be asked at the annual meeting to approve the continuation of the Company under the terms of the Business Corporations Act of Alberta which came into effect in 1982.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "John M. Alston". The signature is fluid and cursive, with the first name "John" and last name "Alston" clearly distinguishable.

John M. Alston
President

Calgary, Alberta, Canada
January 17, 1983

DUNWOODY & COMPANY

Chartered Accountants

Memorandum

Directors of SAVANNA RESOURCES LTD.

to inform you of the results of the audit of the financial statements of SAVANNA RESOURCES LTD. for the year ended 30 June 1982.

SAVANNA RESOURCES LTD.

FINANCIAL STATEMENTS

30 JUNE 1982

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Dunwoody & Company

Chartered Accountants
15 December 1982

Chartered Accountants

DUNWOODY & COMPANY

CHARTERED ACCOUNTANTS

Internationally

DUNWOODY ROBSON McGLADREY & PULLEN

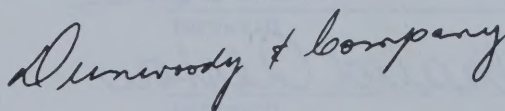
450, 301-14th Street N.W., Calgary, Alberta T2N 2A1 Telephone (403) 283-8401 Cable: Dunwoody, Calgary

AUDITORS' REPORT

TO THE SHAREHOLDERS
OF SAVANNA RESOURCES LTD.

We have examined the balance sheet of Savanna Resources Ltd. as at 30 June 1982 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at 30 June 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Calgary, Alberta
15 December 1982

CHARTERED ACCOUNTANTS

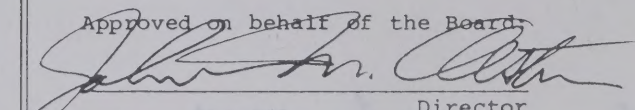
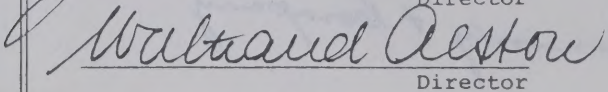
SAVANNA RESOURCES LTD.

BALANCE SHEET
AS AT 30 JUNE 1982

ASSETS

	<u>1982</u>	<u>1981</u>
CURRENT		
Cash	\$ 2,862	\$ 7,124
Accounts and advances receivable	5,396	48,031
Due from affiliated companies, note 5	-	20,859
Due from employees, note 2	-	122,250
Prepaid expenses	-	11,866
	<u>8,258</u>	<u>210,130</u>
INVESTMENT IN AFFILIATED COMPANIES, notes 1, 3 and 13	<u>1,024,184</u>	<u>4,598,387</u>
INVESTMENT IN SHARES	<u>-</u>	<u>1</u>
PROPERTY AND EQUIPMENT, note 1		
Mining claims and properties	-	321,889
Petroleum and natural gas properties	429,121	462,399
Equipment	31,818	30,073
Leasehold improvements	<u>3,130</u>	<u>3,130</u>
	464,069	817,491
Less accumulated depletion and depreciation	<u>43,724</u>	<u>152,066</u>
	420,345	665,425
	<u>\$ 1,452,787</u>	<u>\$ 5,473,943</u>

Approved on behalf of the Board


Director
Director

LIABILITIES

	<u>1982</u>	<u>1981</u>
CURRENT		
Bank loan, note 4	\$ 500,000	\$ -
Accounts payable and accrued liabilities	96,320	349,726
Due to affiliated companies, note 5	992,389	-
Note payable	<u>172,000</u>	<u>-</u>
	<u>1,760,709</u>	<u>349,726</u>

RELATED PARTY TRANSACTIONS, note 12

CONTINGENT LIABILITIES, note 13

SHARE CAPITAL AND DEFICIT

SHARE CAPITAL, notes 7 and 8

Authorized

7,500,000

Common shares
of no par value

Issued

3,156,245

Shares (1981 -
4,686,245 shares)

4,981,176

4,676,451

RETAINED EARNINGS (DEFICIT)

(5,289,098)

447,766

(307,922)5,124,217\$ 1,452,787\$ 5,473,943

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED 30 JUNE 1982

	<u>1982</u>	<u>1981</u>
REVENUE		
Oil and gas production and royalties	\$ 82,352	\$ 172,735
EXPENSES		
Operating	34,496	66,905
Mining properties abandoned	<u>90,480</u>	<u>81,848</u>
	<u>124,976</u>	<u>148,753</u>
OPERATING INCOME (LOSS)	(42,624)	23,982
ADMINISTRATIVE EXPENSES (NET)	<u>104,810</u>	<u>27,065</u>
(LOSS) BEFORE THE FOLLOWING	<u>(147,434)</u>	<u>(3,083)</u>
OTHER INCOME (LOSSES)		
Management fees	60,500	97,000
Gain on disposal of properties	583,350	-
(Loss) on disposal of investments in affiliated companies	(3,272,478)	-
Interest income	9,947	2,273
Share of net income of companies subject to significant influence	-	137,112
Decrease in equity of net assets of companies subject to significant influence resulting from issue of share capital	-	(49,064)
(Loss) on sale of equipment	<u>-</u>	<u>(1,132)</u>
	<u>(2,618,681)</u>	<u>186,189</u>
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(2,766,115)	183,106
Provision for deferred income taxes	<u>-</u>	<u>33,200</u>
INCOME BEFORE EXTRAORDINARY ITEMS	(2,766,115)	149,906
Extraordinary items		
Gain on exchange of shares in an affiliated company (net of deferred income taxes of \$417,300)	-	1,236,067
Deferred income tax reduction on recognition of deferred income tax debits	-	450,500
Write-down of investment in shares of affiliated company, note 3	<u>(2,970,749)</u>	<u>-</u>
NET INCOME (LOSS) FOR THE YEAR	(5,736,864)	1,836,473
Retained earnings, beginning of year	<u>447,766</u>	<u>1,388,707</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u><u>\$(5,289,098)</u></u>	<u><u>\$ 447,766</u></u>
EARNINGS (LOSS) PER SHARE, note 9		

SAVANNA RESOURCES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 1982

	<u>1982</u>	<u>1981</u>
SOURCE OF FUNDS		
Operations		
Net income (loss) for the year	\$(5,736,864)	\$ 1,836,473
Items not involving funds		
Deferred income taxes	-	33,200
Depletion and depreciation	18,819	34,404
Gain on disposal of properties	(583,350)	-
Loss on disposal of investments	3,272,478	-
Loss on disposal of equipment	-	1,132
Share of net income of companies subject to significant influence	-	(137,112)
Decrease in equity of net assets of companies subject to significant influence	-	49,064
Properties abandoned	90,480	81,848
Extraordinary items	<u>2,970,749</u>	<u>(1,686,567)</u>
	32,312	212,442
Proceeds on disposal of property	1,148,875	-
Proceeds on disposal of investments	2,451,517	2,345,439
Proceeds on disposal of equipment	-	2,500
Proceeds on share capital issued	768,800	1,612,250
Decrease in current portion of long-term debt	-	24,000
	<u>4,401,504</u>	<u>4,196,631</u>
APPLICATION OF FUNDS		
Acquisition of shares in companies subject to significant influence	5,120,539	4,180,177
Acquisition of petroleum and natural gas properties	300,000	21,029
Payment on mining option agreement	128,000	32,000
Acquisition of equipment and leasehold improvements	1,745	22,016
Repayment of long-term debt	-	66,500
Redemption of shares	464,075	-
	<u>6,014,359</u>	<u>4,321,722</u>
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR	(1,612,855)	(125,091)
Working capital (deficiency), beginning of year	<u>(139,596)</u>	<u>(14,505)</u>
WORKING CAPITAL (DEFICIENCY), END OF YEAR	<u>\$(1,752,451)</u>	<u>\$ (139,596)</u>
Represented by		
Current assets	\$ 8,258	\$ 210,130
Current liabilities	<u>(1,760,709)</u>	<u>(349,726)</u>
	<u>\$(1,752,451)</u>	<u>\$ (139,596)</u>

SAVANNA RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS
30 JUNE 1982

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company:

(a) Investments

The Company follows the equity basis of accounting for its interests in companies which it significantly influences. If influence is temporary or there is a permanent impairment in value then the investment is carried at the lower of cost and market.

(b) Petroleum and natural gas properties

The Company follows the full cost method of accounting for each major area of interest wherein all costs relative to the exploration for and development of oil, gas and related reserves, including related overhead, are capitalized. Gains or losses upon sale or disposition of properties are only recognized when a major area of interest is disposed of or when the proceeds on sale of a partial interest in a major area exceeds the net costs accumulate in the cost pool.

The provision for depletion is computed under the unit-of-production method based on the estimated proven oil and gas reserves of the Company as determined by the Company and substantiated periodically by independent professional engineers.

(c) Mining claims and properties

The Company follows the full cost method of accounting wherein all costs relative to acquiring, exploring and developing mining claims and rights, including related overhead, are capitalized. The proceeds received for a partial disposition are credited against the costs. Until the properties are abandoned, sold or placed on production no gain or loss is recognized. The net cost of properties surrendered or abandoned are written off in the year of surrender. The net costs of the remaining properties are to be depleted based on a composite unit-of-production method, based on the total estimated recoverable reserves, on commencement of production by the Company.

SAVANNA RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS
30 JUNE 1982

1. SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(d) Equipment and leasehold improvements

The Company provides for depreciation of equipment and leasehold improvements, which are recorded at cost, at 20% per annum using the declining balance and straight line methods respectively.

2. DUE FROM EMPLOYEES

Loans from employees totalling \$122,500 were assumed by an affiliated company Seville Minerals Ltd. which is controlled by the President of Savanna Resources Ltd.

3. INVESTMENTS IN AFFILIATED COMPANIES, note 13(a)

	1982			1981
	Number of Shares	Equity Owner- ship	Carrying Value	Carrying Value
American Chromium Limited				
Class "A" voting	1,247,127	17%	\$1,204,184	\$3,734,396
Class "B" non- voting	328,540			
Perry River Nickel Mines Ltd.				527,796
Baretta Mining Corporation Ltd.				336,195
			<u>\$1,204,184</u>	<u>\$4,598,387</u>

By agreement of 17 November 1981 Perry River Nickel Mines Ltd. and Baretta Mining Corporation Ltd. were amalgamated with American Chromium Limited.

The Company has pledged substantially all of its investments as security for debts of the Company and its affiliates as more fully disclosed in note 13(a).

In 1982 a \$2,970,749 write-down of investment in an affiliated company from equity to market value is included in the statement of income and deficit. The write-down reflects a permanent impairment of the value of the investment in American Chromium Limited. As at 30 June 1982 it is the intention of management to sell the investment to an affiliated company subsequent to the year end.

SAVANNA RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS
30 JUNE 1982

11. REMUNERATION OF OFFICERS AND DIRECTORS

Members of the Board of Directors did not receive any remuneration for services as directors. Two directors are also officers of the Company. During the year remuneration in the amount of \$96,000 was paid to one officer/director for services as an officer of the Company.

12. RELATED PARTY TRANSACTIONS

- (a) During the year the Company charged certain of its affiliated companies management and overhead fees totalling \$485,000 (\$290,637 during the year ended 30 June 1981).
- (b) Pursuant to a private placement agreement, the Company issued 1,000,000 treasury shares to American Chromium Limited for \$700,000.
- (c) 2,600,000 shares of the Company were purchased for redemption from American Chromium Limited in exchange for certain properties valued at \$464,075.
- (d) By agreement dated 30 June 1982, the Company purchased 521,000 shares of Baretta Mining, Inc. from American Chromium Limited and exchanged the shares for 323,500 class "A" voting and 197,500 Class "B" non-voting shares of American Chromium Limited. The exchange was made with a company whose managing director is a relative of one of the officers and directors of the company.
- (e) In addition to the transaction noted in 12(d) the Company purchased shares in affiliated companies from the following sources:
- | | |
|-------------------------------------|--------------------|
| Other affiliated companies | \$3,702,826 |
| Officer and director of the Company | <u>35,200</u> |
| | <u>\$3,738,026</u> |
- (f) During the year shares in affiliates were sold to or exchanged with other affiliates, related companies and certain shareholders at losses totalling \$2,697,000. All transactions were recorded at their fair market value at the date of trade.
- (g) American Chromium Limited purchased certain mining claims and petroleum and natural gas properties from the Company for a total purchase price of \$668,000 believed to be their fair market value.

SAVANNA RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS
30 JUNE 1982

13. CONTINGENT LIABILITIES

- (a) The Company's investment in shares of American Chromium Limited were pledged as security for debts of the Company and its affiliates as follows:

	American Chromium Limited Class "A" voting	American Chromium Limited Class "B" non-voting
Bank loan, note 4	450,000	100,000
Note payable, note 6	50,000	100,000
Trade payables of affiliates	205,500	76,740
Loans of affiliates	<u>403,609</u>	<u>1,800</u>
	<u>1,109,109</u>	<u>328,540</u>

76,740 Class "B" non-voting shares pledged as security for payables of affiliates resulted from the Company lending shares to Packard Minerals Ltd. as security on their margin account. At year end the Packard margin account contained only 40,740 class "B" shares of American Chromium Limited. Packard's ability to rectify the shortfall is unknown.

- (b) As at 30 June 1982 the Company had granted an option enabling the holder to purchase 25,000 shares of American Chromium Class "B" non-voting shares. The option price is \$3.00 a share before 31 January 1983 and \$4.00 per share any time after with the option expiring 31 January 1984. The option was granted as partial consideration for the note payable described in note 6.

